



香りを言葉にする。  
科学と感性。

香りは時として雄弁になり、数多くの情報を発信します。

コミュニケーションが多様になるごともに

香りも進化が求められています。

香料の可能性は無限です。そして、大きな期待がかけられています。

科学と感性が融合した高品位な技術力。

私たち長谷川香料は高レベルでの研究開発と製造技術を追求してきました。

分析、合成、調香など、長年積み重ねてきた

さまざまな分野の技術力を結集し、

多角的な視点で香りをカタチにしています。

ここには伝統の技術力と未来を見据えた先端技術があります。

香りに未来を描く。  
香りに感動を込める。

 **長谷川香料株式会社**  
<http://www.t-hasegawa.co.jp>

# Financial Results for the 2<sup>nd</sup> Quarter Ended March 31, 2019



T. HASEGAWA CO., LTD.

May 22, 2019

I . Overview of Consolidated Financial Statement

II . Management Policy

III . Global Strategies

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# I . Overview of Consolidated Financial Statement

## Domestic Market

Flavors and fragrances market in 2018 expanded approximately 4% compared to the previous year

### Market Trends by Product Category

Category	Trend		
Beverages	2018	Increased	Record high sales quantity due to record breaking extreme heat in the summer. Sugar-free drinks, carbonated drinks, mineral water, etc. were strong.
	2019 Jan. to March	Flat	From Jan. to Feb., mainly sugar-free drinks and mineral water were strong, which exceeded the previous year. In March, performance was lower than the previous year due to fewer operating days and rebound decrease from new product launch in the same month of the previous year.
Snacks	2018	Increased	Potato chips sales, which had been weak due to raw material shortage in the previous year, recovered. Market stimulated by introduction of wide variety of new products.
	2019 Jan. to March	Decreased	Rebound decrease from increase caused by previous year's potato chips sale promotion.
Chocolate	2018	Decreased	High cacao chocolate boom which led the market calmed down.
	2019 Jan. to March	Decreased	High cacao chocolate decreased. Supply for Valentine's Day demand was weak.
Frozen Dessert	2018	Increased	Very strong in July and Aug. due to record breaking extreme heat in the summer.
	2019 Jan. to March	Slightly Increased	Increased in Feb. from last-minute demand before price increase, but decreased in March due to the price increase. In March, temperature was lower than usual, and market environment was bad.

# Performance Overview (consolidated base)

Sales  
4.3% increase comparing to previous year  
Progress ratio against annual plan was 46.9% (average progress ratio: 47%)

Operating Income  
3.4% increase comparing to pervious year  
Progress ratio against annual plan was 40.4 % (average progress ratio: 41%)

(Million Yen)

	FY18 2Q Actual	FY19 2Q Actual	yr/yr		Progress vs. Annual plan
			Value	%	
Net sales	23,462	24,468	1,006	4.3%	46.9%
Cost of sales	14,544	15,202	657	4.5%	47.8%
Gross profit	8,917	9,265	348	3.9%	45.5%
SG&A expenses	6,770	7,044	274	4.1%	47.4%
Operating income	2,147	2,221	73	3.4%	40.4%
Ordinary income	2,310	2,436	126	5.5%	41.3%
Income before income taxes	2,274	2,422	148	6.5%	41.4%
Net income	1,617	1,761	144	8.9%	41.0%
EBITDA (※)	3,804	3,917	112	3.0%	43.5%

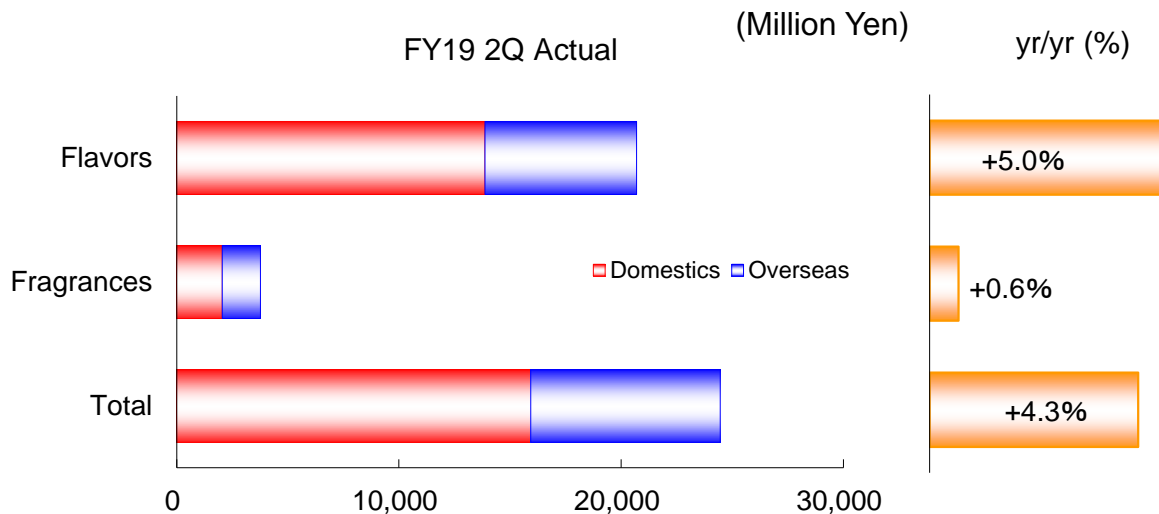
※ EBITDA = Operating income + Depreciation and Amortization + Amortization of goodwill

# Net Sales by Product Segments

Total net sales expanded due to the increase of sales for parent company and subsidiary in USA

(Million yen)

Category	FY18 2Q Actual	FY19 2Q Actual	yr/yr		Remark
			Value	%	
Flavors	19,716	20,699	982	5.0%	Sales of parent company and the subsidiary in USA increased
Fragrances	3,745	3,768	23	0.6%	Sales of parent company and the subsidiary in Indonesia increased
Total	23,462	24,468	1,006	4.3%	—



\*FY19 2Q Overseas sales ratio 34.9%

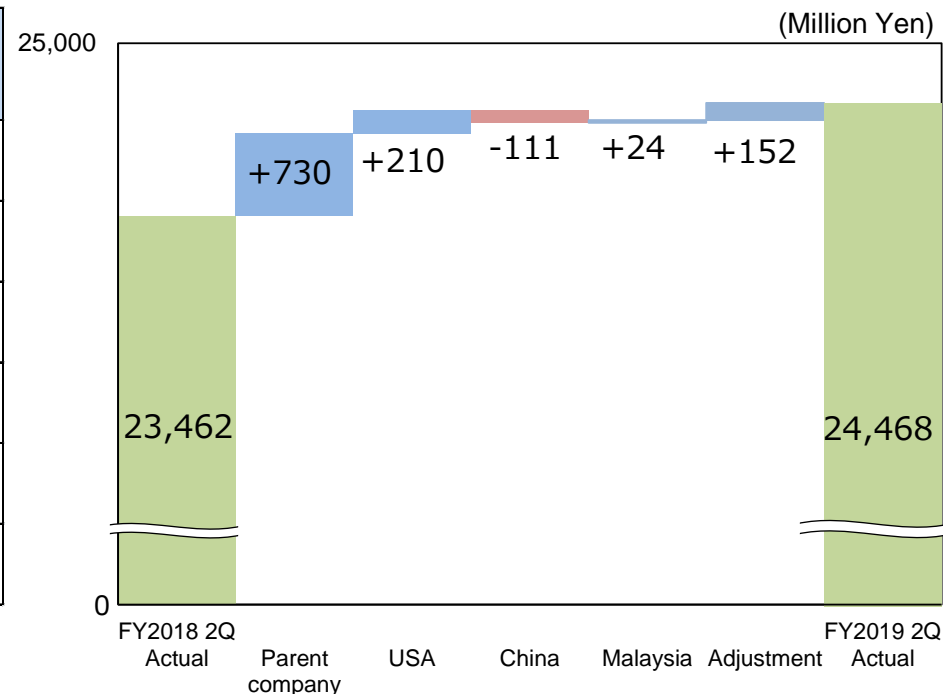
# Sales by Group Company

- Sales Increase Factor  
Increased in Parent company and USA subsidiaries

(Million Yen)

	FY18 2Q Actual	FY19 2Q Actual	yr/yr	%
Parent company	17,380	18,110	730	4.2%
USA	2,574	2,784	210	8.2%
China	3,453	3,341	-111	-3.2%
Malaysia	443	468	24	5.6%
Adjustment	-388	-236	152	-
Consolidated	23,462	24,468	1,006	4.3%

Currency	Fy2018 2Q	Fy2019 2Q	Yr/Yr
1US\$	¥110.64	¥111.55	0.8% lower
1RMB	¥17.07	¥16.33	4.3% higher
1MYR	¥27.42	¥27.01	1.5% higher



Parent company	Sales of products for beverages at flavor division increased	Increased
USA	Sales increased at areas of savory flavors and health care products	Increased
China	Increased on local currency basis from sales increase at flavor division, but decreased on Japanese yen basis from impact of high appreciation of yen	Declined
Malaysia	Sales of seasoning powder and products for beverages increased	Increased

\* Savory flavors : salty flavor for snacks, dressing for salad, and seasoning, etc.

\* From this Fiscal Year, the Company started to apply IFRS 15 "Revenue from Contracts with Customers" for overseas consolidated subsidiaries excluding U.S. subsidiary. For ease of comparison, the same standards applied to the calculation of the sales in the same period of the previous year

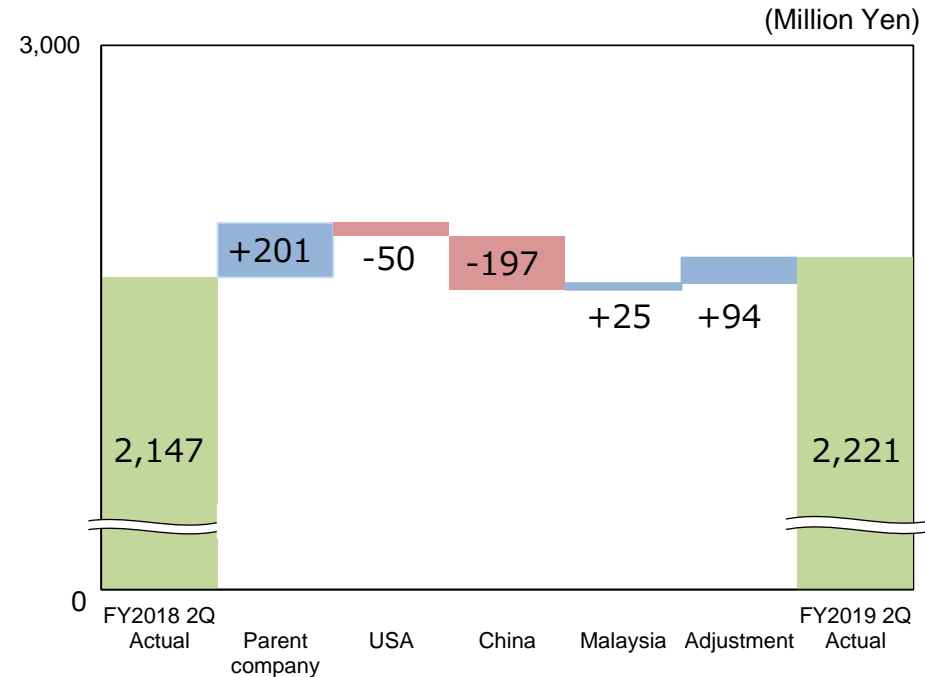
# Operating Income by Group Company

- Profit increase Factor  
Increase in Parent company

(Million Yen)

	FY18 2Q Actual	FY19 2Q Actual	yr/yr	%
Parent company	1,745	1,946	201	11.6%
USA	31	-18	-50	-
China	453	255	-197	-43.7%
Malaysia	10	35	25	245.7%
Adjustment	-93	1	94	-
Consolidated	2,147	2,221	73	3.4%

Currency	Fy2018 2Q	Fy2019 2Q	Yr/Yr
1US\$	¥110.64	¥111.55	0.8% lower
1RMB	¥17.07	¥16.33	4.3% higher
1MYR	¥27.42	¥27.01	1.5% higher






Parent company	Sales increase	Increased
USA	SG&A expense increase	Declined
China	Yen-base sales decrease from impact of high appreciation of yen, Deterioration of cost of sales ratio, SG&A expense increase	Declined
Malaysia	Sales increase, cost of sales ratio improved	Increased






## II . Management Policy

## Basic Strategy

-  Focus on Expansion of High-Value-Added and Profitable Blended Flavor Sales
-  Definitively Secure Profit in Domestic Market
-  Seek Growth in Overseas Market

## Priority Issues

-  Promote Reform
-  Improve Human Resources  
(Foster Human Resources,  
Hire Experienced Personnel)
-  Accelerate Penetration in  
Overseas Market



**Become an  
Organization  
that Takes on  
Challenge**

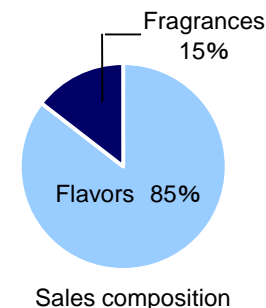
# III. Global Strategies

Basic Strategy: Expand market share by anticipating new market demands stemming from aging society and heightening of health consciousness

## Ongoing Project and Progress

Reinforce Sales Structure  
Promoting Solution-Oriented Sales Activity

Marketing Division takes initiative in marketing strategy development  
Grasp "Wants" through utilization of market survey results, analysis  
⇒ Solution-oriented sales project increased  
**Draw-up sales expansion measures at the Project Team, progress management**  
Established organization for development of new customers

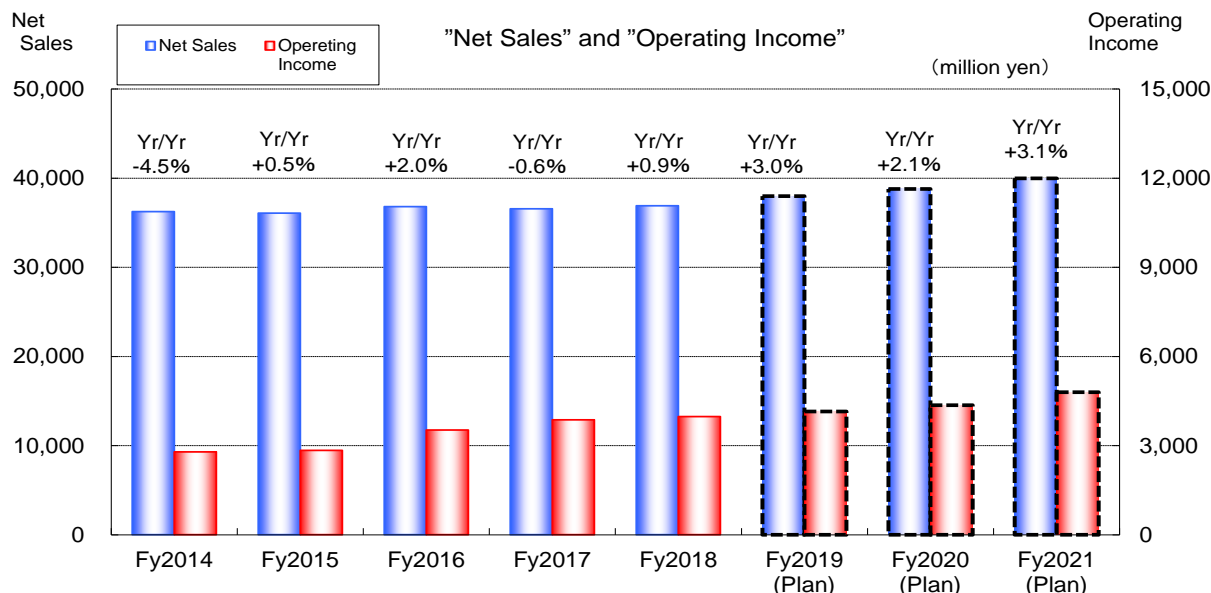


Expanding the range of New Applications

Focus on new areas, such as healthy foods, medical foods, and demands for masking living odor, etc.  
⇒ Propose new materials, materials that brings good taste to health-oriented foods  
Develop substitute flavors for food materials (milk products, vegetables, fruit juice, meat etc.)

Strategic R&D promotion

Priority area development  
Promote R&D based on connection among research centers  
Create innovation, promote open innovation



### FY2019 2Q Sales Performance

**Net Sales: 18,110 mil. yen**  
(Increased 4.2% YOY)

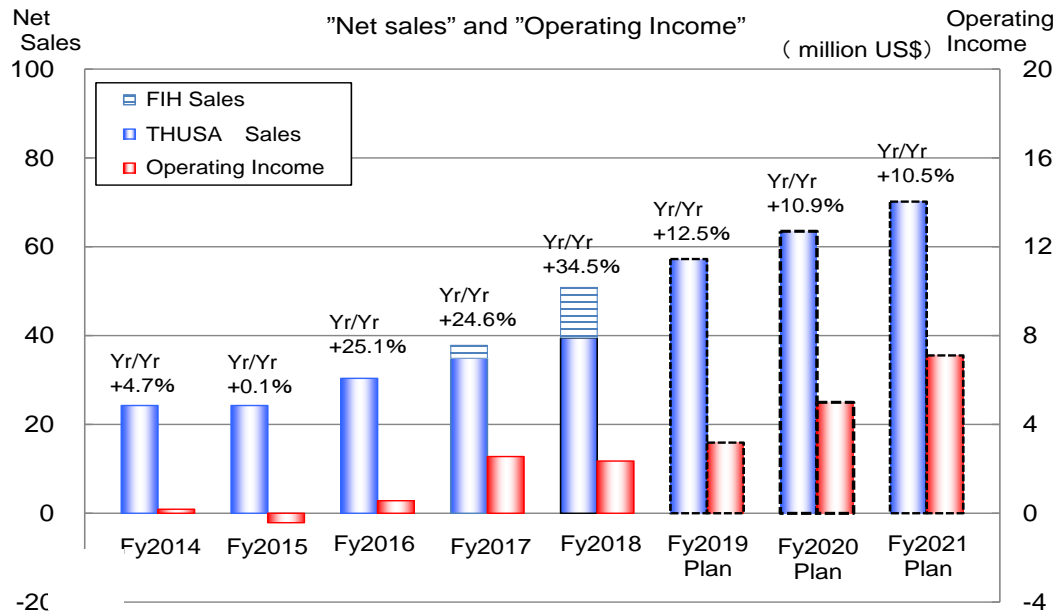
**Operating Income: 1,946 mil. yen**  
(Increased 11.6% YoY)

Sales Profit Target (FY2021)

**Net Sales: 40,000 mil. yen**  
**Operating Income: 4,800 mil. yen**

**Basic Strategy:** Increase sales of savory flavors and flavors for beverages and further exert the acquisition effect

Ongoing projects and progress



**FY2019 2Q Sales Performance**  
**Net Sales : 24.9 mil. USD**  
 (Increased 7.3% YoY)  
**(2,784 mil. yen)**  
**Operating loss : 0.1 mil. USD**  
**(18 mil. yen)**  
Sales and Profit Target (FY2021)  
**Net Sales : 70.1 mil. USD**  
**(7,370 mil. yen)**  
**Operating Income : 7.0 mil. USD**  
**(750 mil. yen)**

※Savory flavors : salty flavor for snacks, dressing for salad, and seasoning etc.  
 ※The sales plans for FY2019 to FY2021 are indicated by consolidated figures of THUSA and FIH.

## Basic Strategy: Further strengthen organization base to expand sales in Chinese Market

### Ongoing Projects and Progress

#### Measures for business recovery

**Reinforce sales activities by hiring local sales general manager and increasing number of sales force**

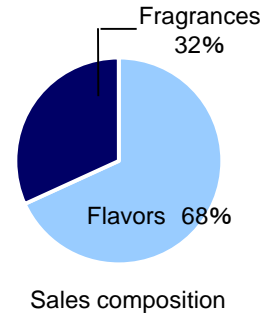
⇒ **Focus on local large enterprises and South China area**

Reinforce flavor business organization aiming at development of new sectors and potential demands

Regular technological exchange with Japan

⇒ Develop new customers, deepen relationship with existing customers, expand business with international and local firms

**Establish manufacturing cost compression project**



#### Reinforcing R&D organization

Reorganize and enhance R&D facility.

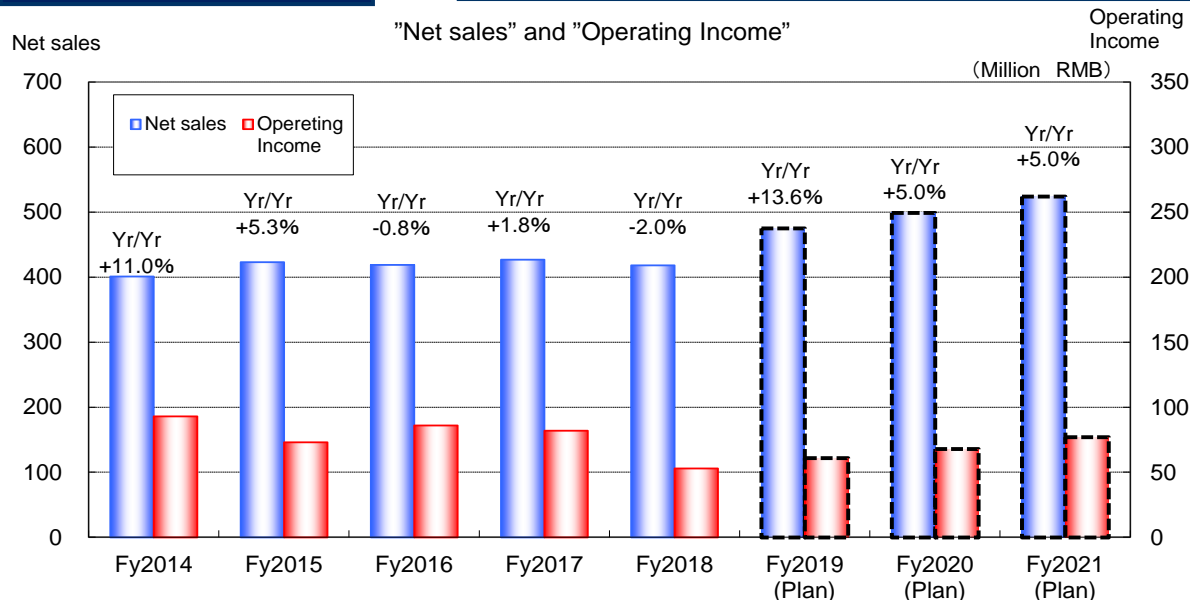
**Fragrance creation center started operation**

⇒ **Enable product development reflecting customer requests more quickly and accurately through refinement of fragrance evaluation organization**

#### Reinforcing Organization Structure

Robust risk management and compliance

Introduction of new HR framework that further clarifies criteria for grade, remuneration, evaluation.



#### FY2019 2Q Sales Performance

**Net Sales : 204.6 mil. RMB**

(Increased 1.3% YoY)

**(3,341 mil. yen)**

**Operating Income : 15.6 mil. RMB**

(Decreased 41.1% YoY)

**(255 mil. yen)**

#### Sales and Profit Target (FY2021)

**Net Sales : 524 mil. RMB**

**(8,300 mil. yen)**

**Operating Income : 77.3 mil. RMB**

**(1,230 mil. yen)**

\* From this Fiscal Year, the Company started to apply IFRS 15 "Revenue from Contracts with Customers" for overseas consolidated subsidiaries excluding U.S. subsidiary. For ease of comparison, the same standards applied to the calculation of the sales in the same period of the previous year.

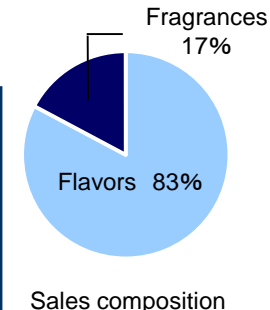
# Overseas Strategy – Southeast Asia –

**Basic Strategy: Expand sales through cooperation of sales base in Thailand, Indonesia and production base in Malaysia**

## Ongoing Projects and Progress

### Reinforce Sales Structure

Assigned General Manager covering entire Southeast Asia region  
 ⇒ Coordinate organic cooperation among offices in Southeast Asia region  
 Increase sales force in Thailand and Indonesia  
 Assign sales force to surrounding areas (Vietnam, Philippines, Myanmar)  
**Promote utilization of Application Laboratory (Thai, Indonesia, Taipei)**

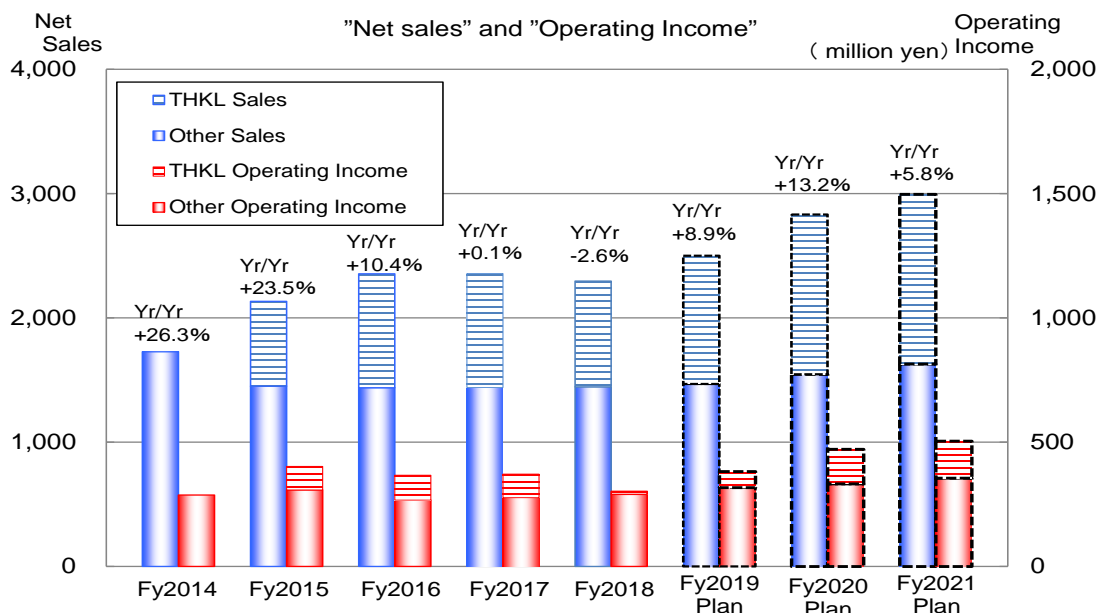


### Changed Name of Malaysian Subsidiary

**From April 2019, changed name of Peresscol Sdn. Bhd. to “T HASEGAWA FLAVOURS (KUALA LUMPUR) SDN. BHD. ” (hereinafter “THKL”)**  
**Promote enhancement of corporate brand presence by clarifying that it is T. Hasegawa’s group company**

### Development of strategy in Southeast Asia using THKL as Hub

Utilize THKL, a Halal-certified flavors sales and production company, as a hub in Southeast Asia  
 Support research and production by dispatching specialists from parent company to train local staffs  
 New manufacturing facility construction plan: watch status of progress in light of political and economic trends



### FY2019 2Q Sales Performance

**Net Sales : 1,313mil. yen**

(Increased 14.3% YoY)

**Operating Income : 162 mil. yen**

(Increased 12.4% YoY)

### Sales and Profit Target (FY2021)

**Net Sales : 3,000mil.yen**

**Operating Income : 500mil.yen**

## Vanilla Project

### Business Tie-up with Universal Leaf Tobacco Company, Inc. (2015)

- Working together on pilot project for vanilla beans cultivation in Brazil
- After 3 years of trial cultivation, reviewed possible commercial development based on the results
- Jan. 2016, started trial cultivation and checking status



### Status Quo and Prospect

- Growing well
- Quality of cured beans harvested in 2018 to be evaluated in mid 2019
- Quality of beans to be harvested in 2019 to be evaluated in 2020
- Planning to expand crop acreage to be ready for commercialization when evaluation results are good

## Fermented Natural Flavor Project

### Business Tie-up with Ajinomoto (2015)

- Combined our flavor development technology with fermenting technology of Ajinomoto, and promoted research/development and commercialization of fermented natural flavor
- Commercial production technology of fermented natural flavor (Vanillin) has been established



### Status Quo and Prospect

- In light of market environment (demand trend/price trend), review commercialization of fermented natural flavor (Vanillin)  
⇒ Commercialization project suspended considering current market environment. Keep an eye on future market trend





## What is “*Harumeki*” ?

- Early blooming cherry blossoms characterized by sweet scent and deep pink color
- One of the strongest scent cherry blossoms among wide variety of cherry blossoms



**Creation of fragrance of “*Harumeki*” triggered participation in the programs hosted by General Incorporated Foundation “*Harumeki* Foundation”**



## Participation in Tree Planting Program

- Supported diffusion of “*Harumeki*” through donation to “*Harumeki* Foundation,” and participated in the program to support the visually impaired
- Planted “*Harumeki*” at our R&D Center and Fukaya Facility



## Participation in Product Development Program

- Participated in the program to develop products using our fragrance inspired by “*Harumeki*” scent and donate certain portion of the sales to “*Harumeki* Foundation”
- Product development support as well as donation of certain portion of sales to the Foundation

# IV. Capital Policy

## Basic Policy

Aiming at continued growth and maximization of corporate value in the future, maintain level of stockholders' equity sufficient to appropriately deal with investment and risks.

## Fund Utilization Policy

Properly use funds considering maintenance of sound financial strength and improvement of capital efficiency, etc.

- **Shareholder Returns**

Paid mid-term dividends and year-end dividends aiming at consolidated dividend payout ratio of approx. 35%

- **Capital Investment**

Investment for production increase for growth, update/maintenance of existing facilities

- **M&A**

Comprehensive judgment from various viewpoints, such as market size, business risk, acquisition price

Realize M&A with an expectation of acquisition effect in terms of customer base, technology aspects and personnel aspects

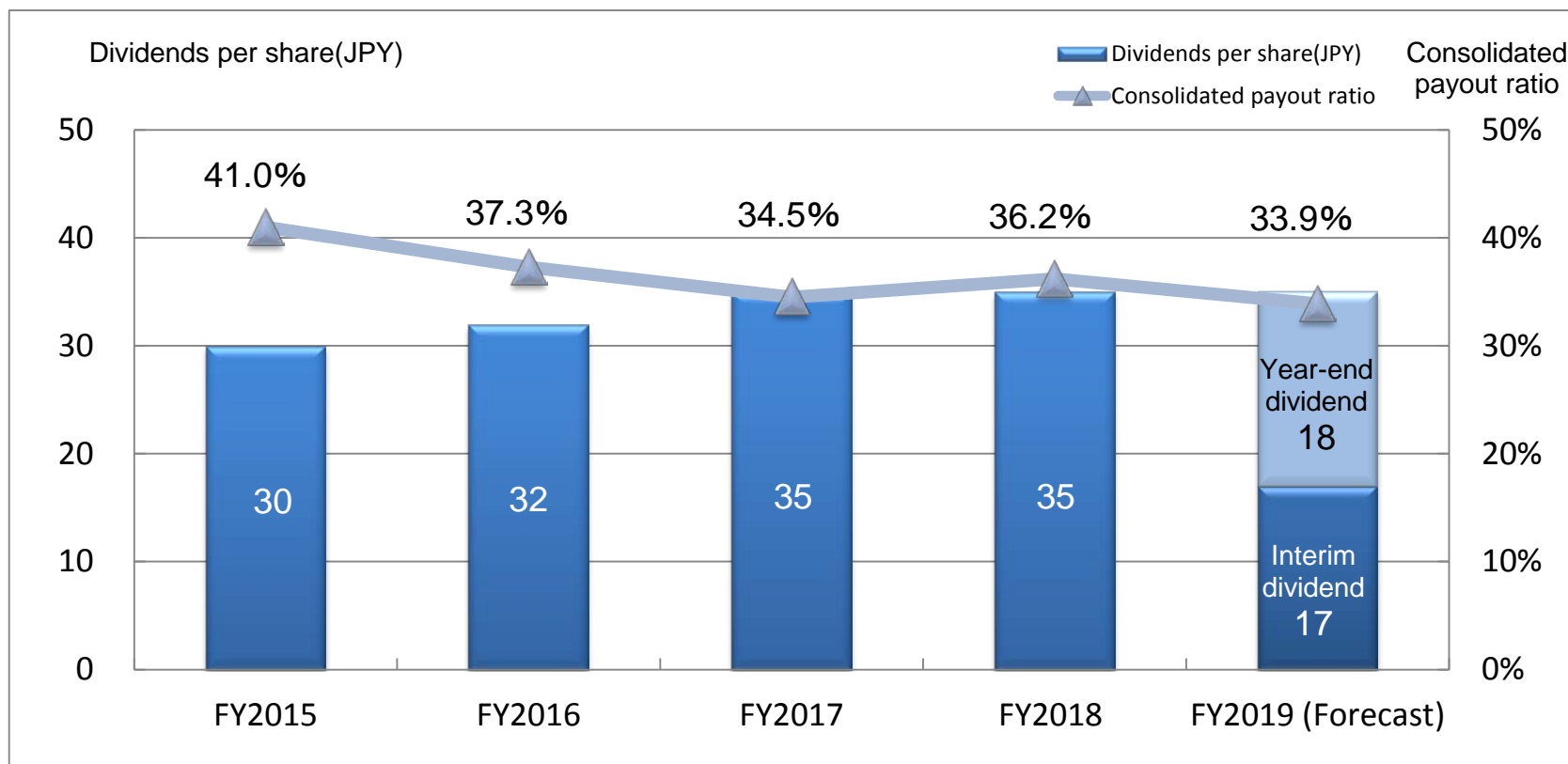
## Cross-Shareholdings

Cut down on aggregate number of shares held from viewpoint of enhancement of capital efficiency, etc. (sale completed for certain portion, and continue to sell during this Fiscal Year). Validate appropriateness of cross-shareholding from mid to long term viewpoints of purpose and economic reasonableness at the Board of Directors' meeting every year.

## Shareholder Redemption

### Basic Policy

- Strengthening operating foundations and retaining undistributed profits in order to reinvest in future development, while also meeting shareholders' expectations by paying dividends which correspond to our business performance
- Targeting approximately 35% of consolidated dividend payout ratio for interim and year-end dividends
- Launched a shareholders' courtesy program starting September 2015 to encourage investors to hold stocks in the mid-to-long term



## Other

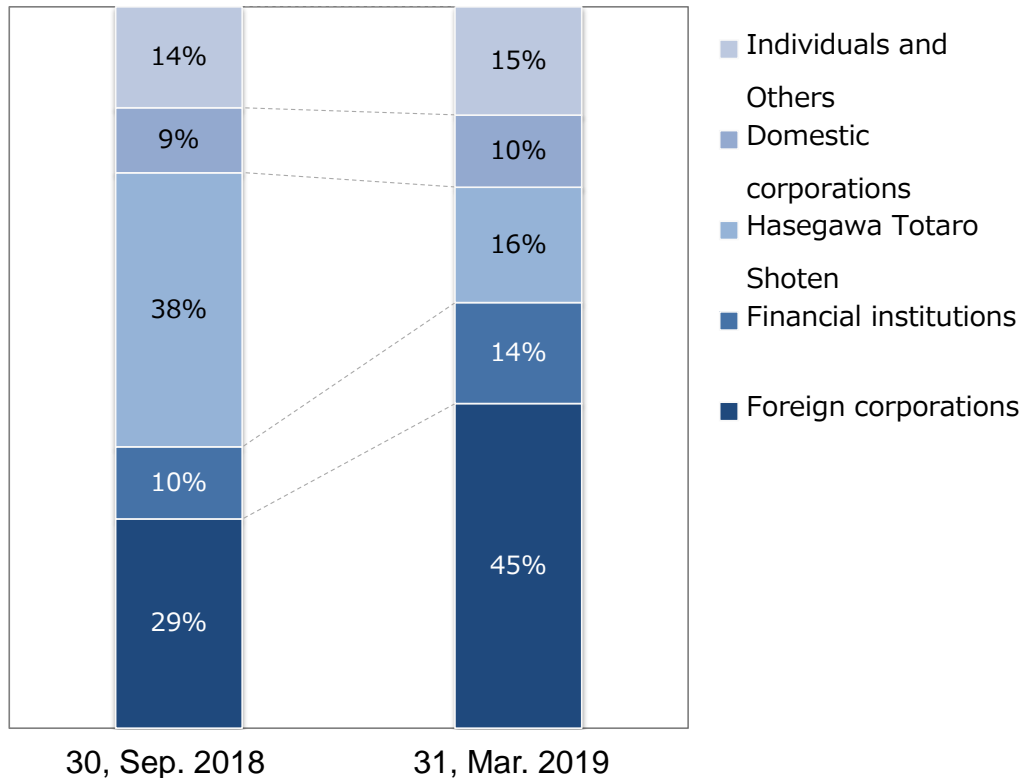
In Nov. 2018, offering of T. Hasegawa shares held by the large shareholder, Hasegawa Totaro Shoten Co., Ltd., was conducted.

(Approx. 9.4million shares, of which a million shares were acquired as treasury stock)

Shareholder structure changed through the offering. (approx. 45% are foreign corporations, etc.)

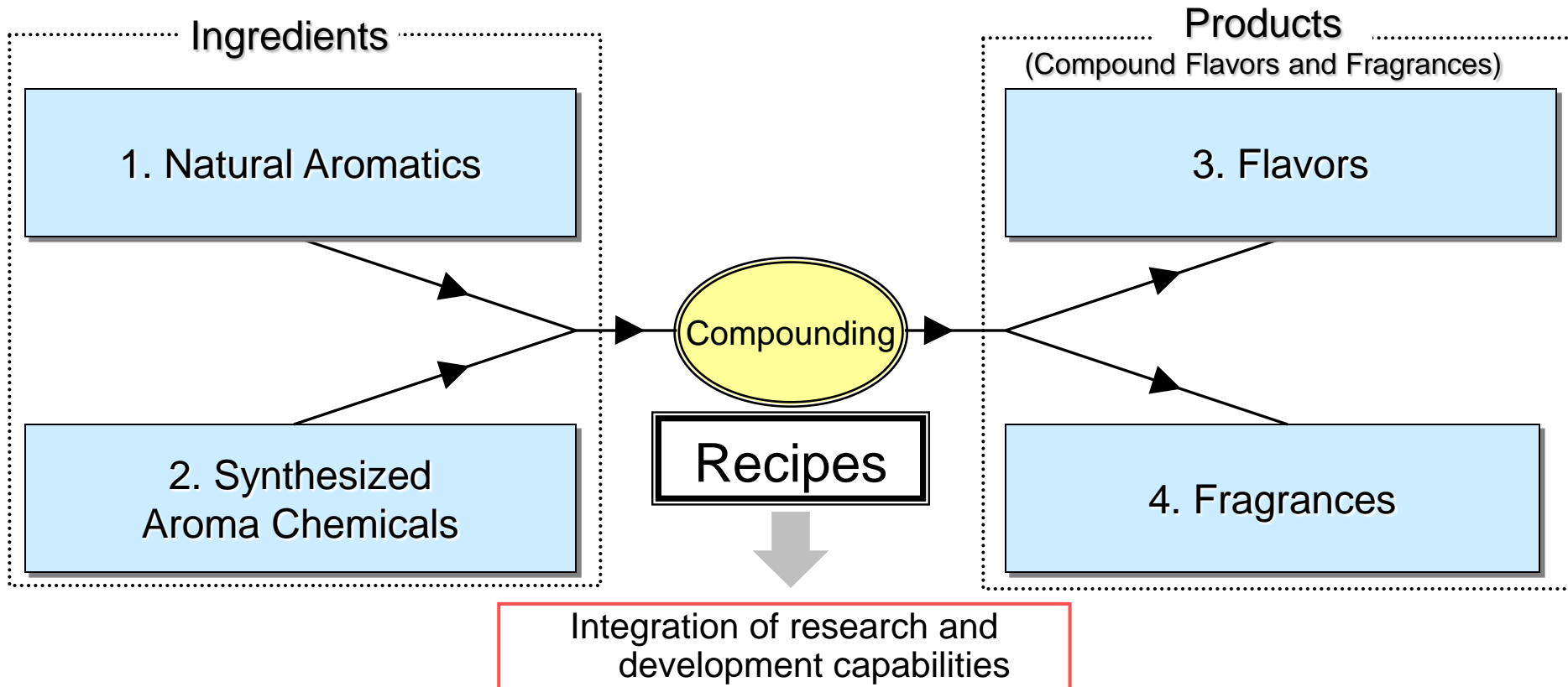
Further focus on domestic and global IR activities going forward.

### Shareholder structure



# V. Appendix

# Outline of Flavor and Fragrance Business



Flavorists : Experts who formulate flavors

Perfumers : Experts who formulate fragrances

Flavors and fragrances are tailor-made in accordance with customer requests

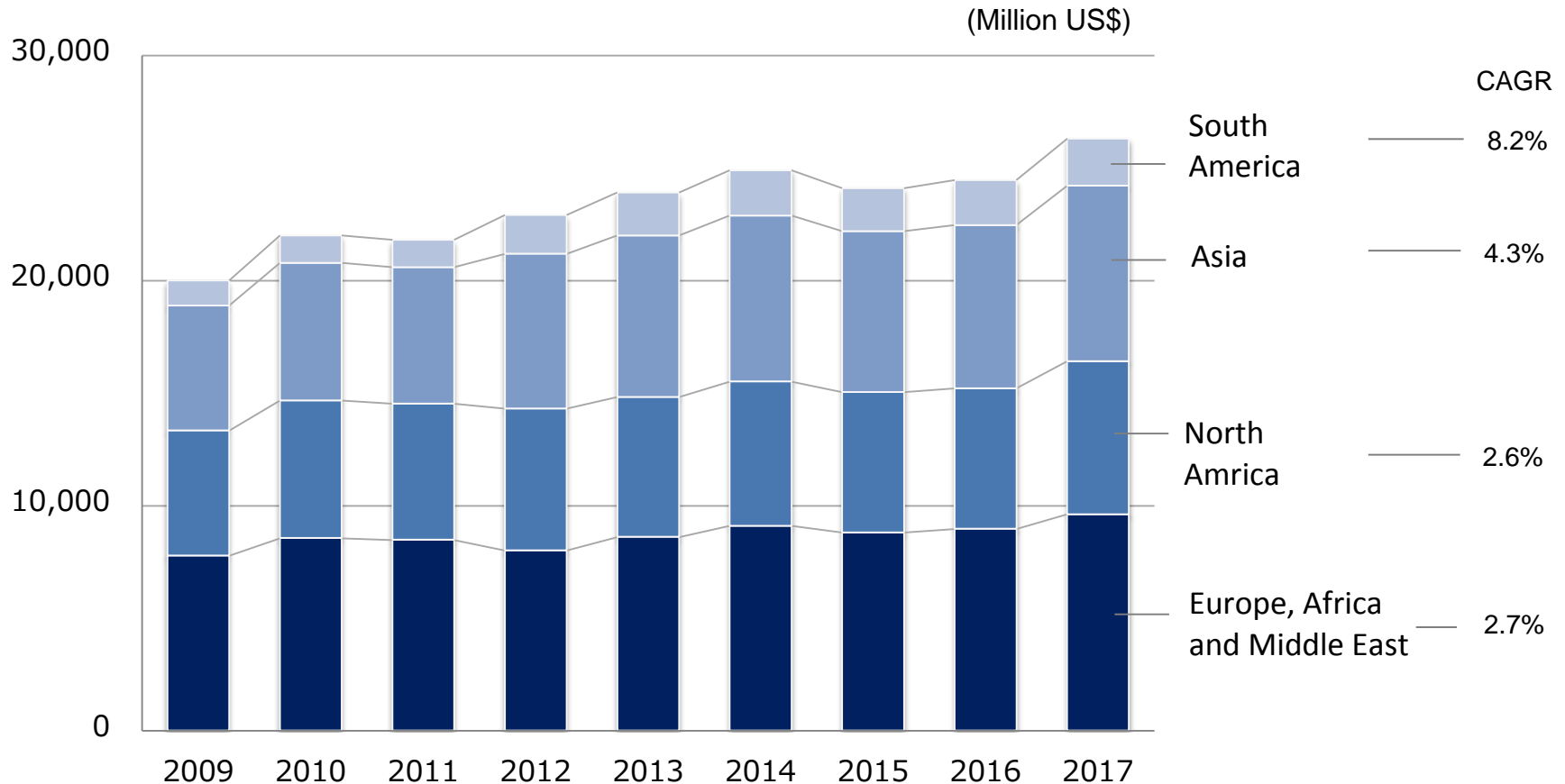
⇒ Formulas created by flavorists and perfumers based on experience are invaluable assets for flavor and fragrance companies.



# Market Size of Flavor and Fragrance Industry

## Overseas Market

Transition of world market size for Fragrance and Flavor grew 7% YOY basis.



\*Figures are estimated by T. Hasegawa

# Global Market Size of Flavor and Fragrance Industry

Estimated sales volume in global market: 2,900 billion yen ( 26.3 billion USD)

## Europe, Africa and Middle East

- Market Size : Approx. 1,060 bil.yen
- As many of manufacturing companies using flavor and fragrances products adopt 'preferred supplier system', major European and American companies have built the solid business bases

## North America

- Market Size : Approx. 750 bil. yen
- As many of manufacturing companies using flavor and fragrances products adopt 'preferred supplier system', major European and American companies have built the solid business bases
- T.Hasegawa's subsidiary established in California in 1978
- Acquired FLAVOR INGREDIENT HOLDINGS, LLC (Affinity Flavors) in 2017

## Asia

- Market Size : Approx. 860 bil. yen(\*) - Market is growing reflected to economic growth in developing countries. Main growing country is China.
- Major flavor and fragrance companies have developed business in China.
- T.Hasegawa established subsidiaries in Shanghai (2000), Suzhou (2006), Bangkok (2003), Indonesia (2014) and Taipei (2017)
- T.Hasegawa acquired Peresscol Sdn. Bhd. (renamed T HASEGAWA FLAVOURS (KUALA LUMPUR) SDN. BHD. in Apr. 2019) in Kuala Lumpur, Malaysia in 2014 due to establishment of production base in Asia area.

## South America

- Market size : Approx. 230 bil.yen \*
- Most of flavors and fragrances are imported from North America and Mexico
- Competition in Brazil is becoming severe due to economic growth.

\*Figures are estimated by T.Hasegawa

\*Exchange Rate : 1USD=112.1JPY  
Reference : Report from Leffingwell & Associates

● : Office, R&D center and production base T.Hasegawa owns

Top 11 companies account for approximately 80% in global flavor and fragrance market

Million USD

	Company name	Country	Sales(2017Yr)	Market Share
1	Givaudan	Switzerland	5,133	19.5%
2	Firmenich	Switzerland	3,668	13.9%
3	IFF	USA	3,399	12.9%
4	Symrise	Germany	2,673	10.2%
5	Mane SA	France	1,306	5.0%
6	Frutarom	Israel	1,271	4.8%
7	Takasago	Japan	1,185	4.5%
8	Sensient Flavors	USA	619	2.4%
9	Robertet SA	France	570	2.2%
10	T.Hasegawa	Japan	428	1.6%
11	Huabao Intl.	Hong Kong	416	1.6%
	Subtotal	—	20,669	78.6%
	Others	—	5,632	21.4%
	Total	—	26,300	—

\* US \$1 ≙ 112.1Yen

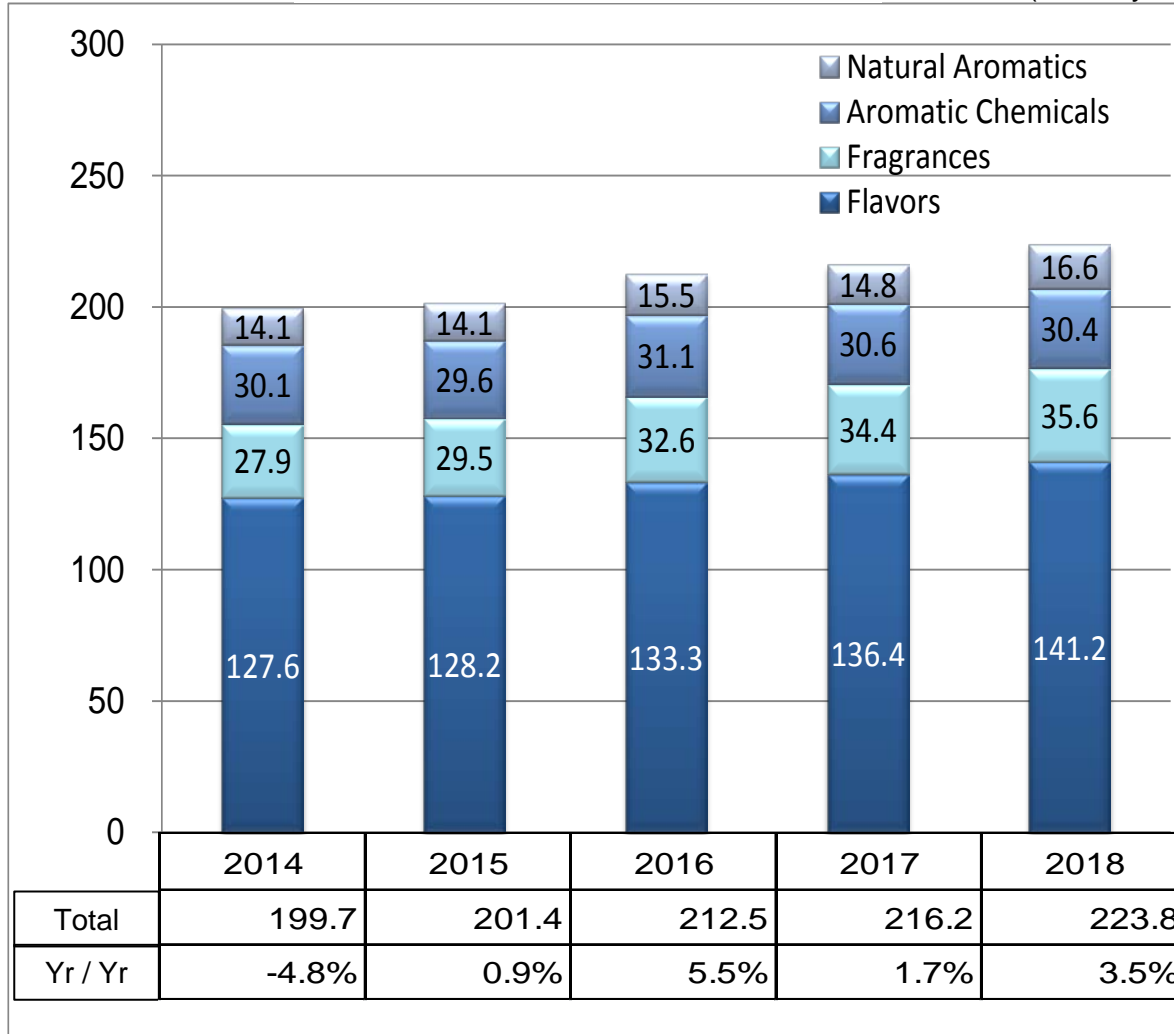
\* On May 7, 2018, the press release was published that both companies agreed that IFF will acquire Frutarom.

Source of Reference: Leffingwell & Associates  
[http://www.leffingwell.com/top\\_10.htm](http://www.leffingwell.com/top_10.htm)

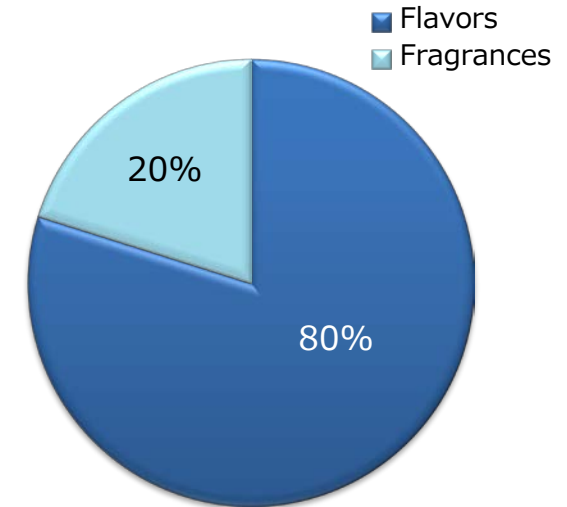
# Market Size in Domestic

Flavors market accounts for 80% of flavor and fragrance total market share in domestic.  
(Flavor market covers 50% of flavor and fragrance market in world wide)

Transition of sales in domestic market (Billion yen)

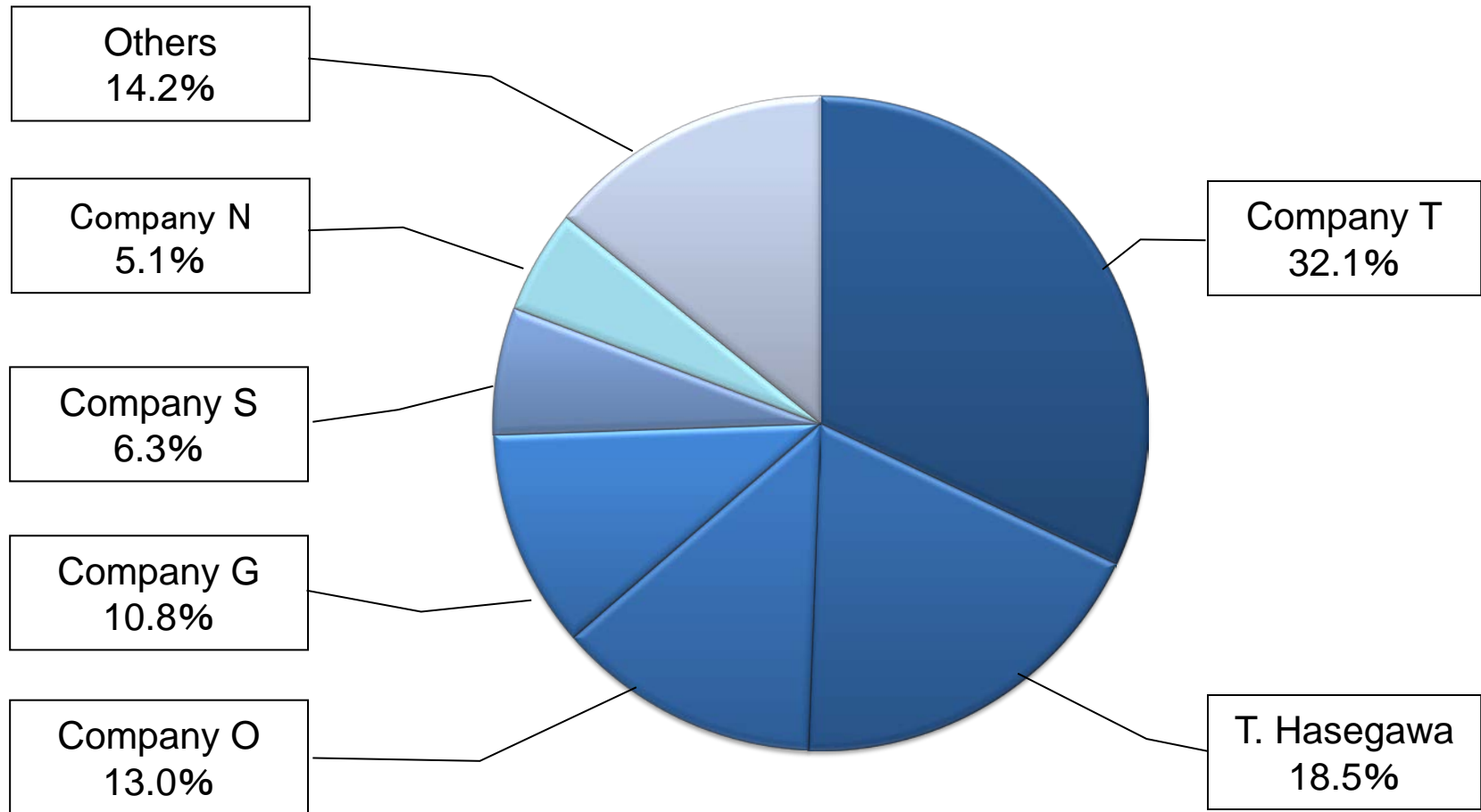


Composition Rate (2018 Yr)



Source of reference : Japan Flavor&Fragrance Materials Association Magazine

# Outline of Current Status of T . Hasegawa



(As of Mar. 2018)

\*Data is based on non-consolidated sales breakdown of top 10 companies in domestic market, calculated by private market research firm. Sales amount of 100% in above graph is the total sales of top 10 companies in domestic flavor and fragrance company.

\*Fiscal year period of Company T, S, and N is from April to March, and Jan. to Dec. in Company G and O.

\*T. Hasegawa's figures indicated above have been calculated for the period from Apr. 2017 to Mar. 2018.

# Sales Composition Comparison

## < Policy in T. Hasegawa >

Focus on sales of compound flavors and fragrances with high added value.

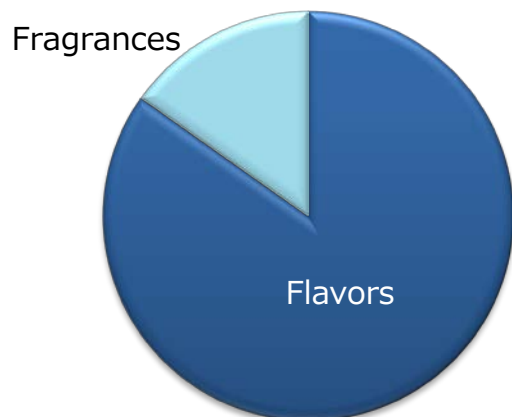
Sells a kind of approximately 11,000 products of fragrance and flavor per year.

(Million yen)

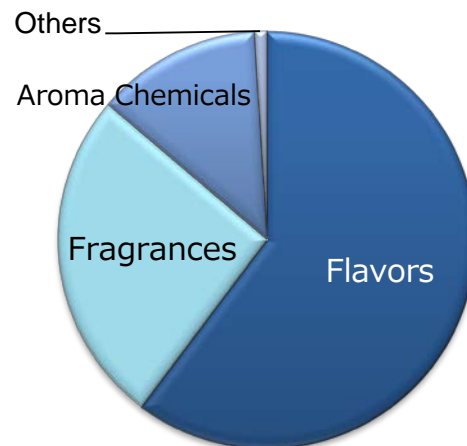
	T. Hasegawa (Consolidated)		Company T (Consolidated)	
	FY ended in Sep. 2018		FY ended in Mar. 2019	
	Sales	Share	Sales	Share
Flavors	42,186	84.8%	90,656	60.2%
Fragrances	7,565	15.2%	39,149	26.0%
Aroma Chemicals	0	0.0%	19,268	12.8%
Others	0	0.0%	1,442	1.0%
Total	49,751	100.0%	150,516	100.0%
Ratio of gross profits to sales	38.5%		30.4%	
Ratio of operating income to sales	10.2%		3.9%	

\* Sales amount indicated as Aroma chemicals in Company T is composed of Aroma ingredients division and fine chemical division.

T. Hasegawa  
(Consolidated)



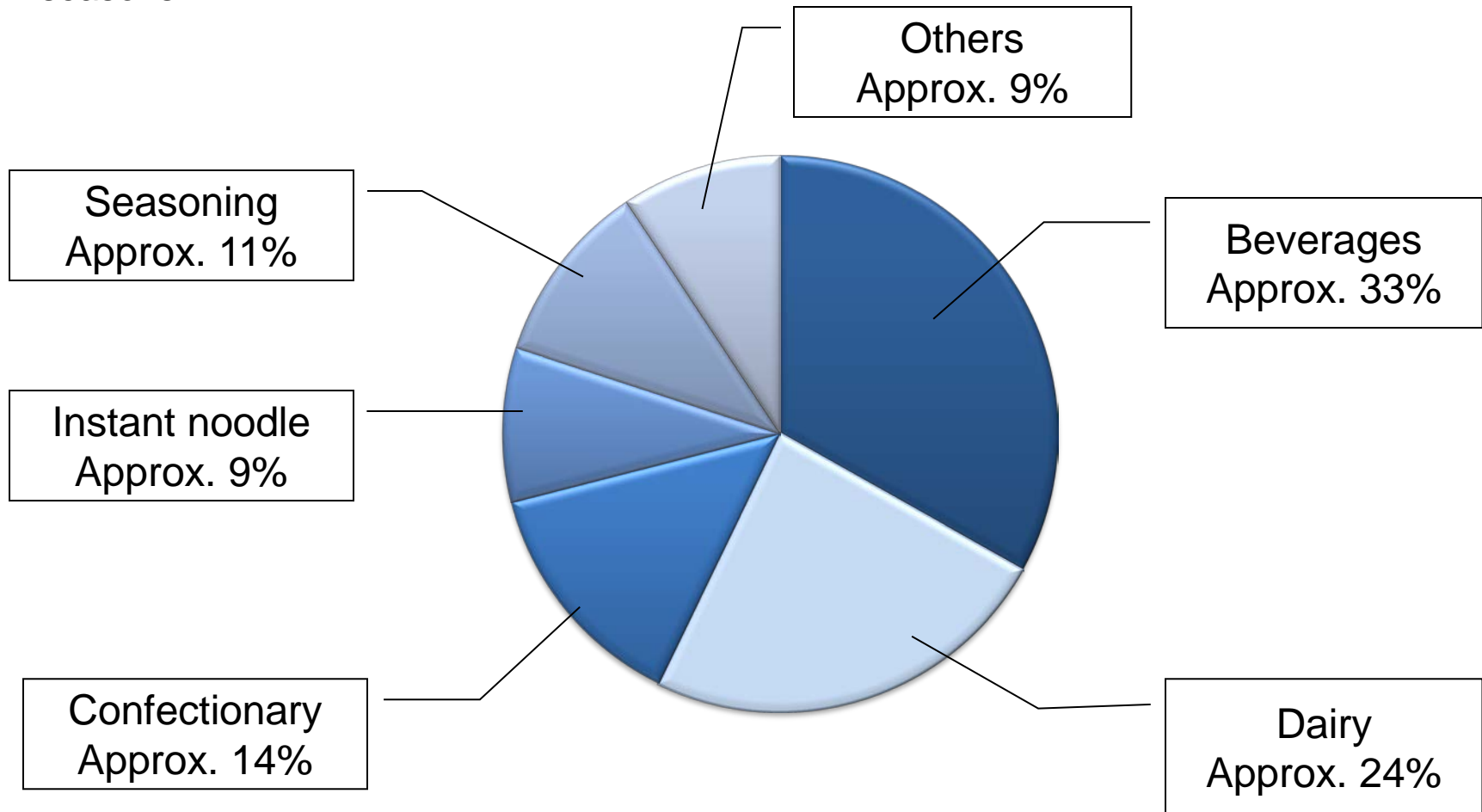
Company T  
(Consolidated)





# Flavor Sales Share by market

Sales share for beverages is high and the sales for beverages has fluctuation in line with seasons.



The share indicated above is calculate as 100% for total non-consolidated sales of FY2019 2Q regarding the companies which are possible to separate sales by industry.

# Additional Financial Information

# Consolidated Income Statement Highlights

Operating income increased due to increase of Sales

(Million yen)

	FY2018 2Q Actual		FY2019 2Q Actual		yr/yr		Remarks
					Value	%	
Net sales	23,462	100.0%	24,468	100.0%	1,006	4.3%	Sales growth of Parent company and subsidiary in USA
Cost of sales	14,544	62.0%	15,202	62.1%	657	4.5%	At subsidiary in China, cost of sales ratio increased due to an increase in raw material costs and sales product mix change
Gross profit	8,917	38.0%	9,265	37.9%	348	3.9%	
SG&A expenses	6,770	28.9%	7,044	28.8%	274	4.1%	Increase in the personnel cost
Operating income	2,147	9.2%	2,221	9.1%	73	3.4%	
Ordinary income	2,310	9.8%	2,436	10.0%	126	5.5%	(FY2019 2Q) Foreign exchange losses of 8 million Yen was calculated as Non-operating expenses (FY2018 2Q) Foreign exchange losses of 61 million Yen was calculated as Non-operating expenses
Profit before income taxes	2,274	9.7%	2,422	9.9%	148	6.5%	
Net income	1,617	6.9%	1,761	7.2%	144	8.9%	

# Consolidated Balance Sheet Highlights

(Million yen)

	September 30 2018	March 31 2019	Increase or Decrease	Remarks
Current assets	51,740	50,915	-824	Increase in Cash and Cash equivalents 267 m. Yen Increase in Inventories 382 m. Yen Decrease in Accounts receivable-trade -1,190 m. Yen Decrease in Prepaid expenses and Other accounts receivable -266 m. Yen
Fixed assets	66,950	64,077	-2,873	Decrease in Investment securities -1,705 m. Yen Decrease in Property, plant and equipment -711 m. Yen Decrease in Intangible fixed assets -434 m. Yen
Total assets	118,690	114,993	-3,697	
Current liabilities	10,664	9,365	-1,299	Increase in Income tax payable and Accrued consumption taxes 91 m. Yen Increase in Accounts payable-trade 180 m. Yen Decrease in Provision for bonuses -545 m. Yen Decrease in Accrued expenses and Other accounts payable -1,028m. Yen
Long-term liabilities	13,443	13,004	-439	Decrease in Deferred tax liabilities as Investment securities decreased with declining market values -487 m. Yen
Total liabilities	24,108	22,369	-1,738	
Total net assets	94,582	92,623	-1,958	Profit attributable to owners of parent 1,761 m. Yen Dividends of surplus -763 m. Yen Foreign currency translation adjustment -252 m. Yen Valuation difference on available-for-sale securities as Investment securities decreased with declining market values -1,200 m. Yen Increase in Treasury stock -1,546 m. Yen
Total liabilities and net assets	118,690	114,993	-3,697	

The figures of Sep. 30 2018 were recalculated retroactively because of the changes of revised standards for tax benefit accounting from this fiscal year.

# Consolidated Statement of Cash Flows

(Million Yen)

	FY2018 2Q Actual	FY2019 2Q Actual	Increase or Decrease	Remarks
Cash flows from operating activities	3,107	3,979	872	Profit before income taxes 2,422 m. Yen Depreciation & Amortization 1,480 m. Yen Decrease in Notes and Accounts receivable-trade 1,166 m. Yen Increase in Inventories -404 m. Yen Income taxes paid -609 m. Yen
Cash flows from investing activities	-2,388	-2,023	365	Payments into time deposits -658 m. Yen Purchase of Property, plant and equipment -1,297 m. Yen
Cash flows from financing activities	-812	-2,329	-1,517	Purchases of Treasury stock -1,565 m. Yen Cash dividends paid -763 m. Yen
Effect of currency change on cash and cash equivalents	-14	-19	-4	—
Net Change in cash and cash equivalents	-108	-392	-283	—
Cash and Cash equivalents at beginning of period	16,511	17,221	709	—
Cash and cash equivalents at end of period	16,428	16,828	400	—

(Million Yen)

		FY2019 Full-year plan	FY2019 2Q Actual	Progress (%)
Capital Investment	Consolidated	2,710	757	27.9%
	Non-consolidated	1,675	532	31.8%
Depreciation & Amortization	Consolidated	3,099	1,480	47.8%
	Non-consolidated	2,102	994	47.3%
R&D Expenses	Consolidated	4,688	2,228	47.5%
	Non-consolidated	3,662	1,739	47.5%

# Non-consolidated ( Actual )

(Million yen)

	FY18 2Q Actual		FY19 2Q Actual		yr/yr		Progress vs. Annual plan
	Value	Share	Value	Share	Value	%	
Net sales	17,380	100.0%	18,110	100.0%	730	4.2%	47.7%
Cost of sales	10,786	62.1%	11,198	61.8%	412	3.8%	48.0%
Gross profit	6,594	37.9%	6,912	38.2%	317	4.8%	47.1%
SG&A expenses	4,849	27.9%	4,965	27.4%	115	2.4%	47.2%
Operating income	1,745	10.0%	1,946	10.8%	201	11.6%	46.9%
Ordinary income	1,928	11.1%	2,169	12.0%	240	12.5%	47.4%
Income before income taxes	1,917	11.0%	2,156	11.9%	239	12.5%	47.6%
Net income	1,413	8.1%	1,604	8.9%	191	13.6%	48.5%

Sales increased from increase in flavors for beverages.

Operating income increased from sales increase.

# USA Subsidiaries (consolidated base) (Actual)

Consolidated profit and loss statement of 2 USA consolidated subsidiaries (T. HASEGAWA U.S.A., INC. and FLAVOR INGREDIENT HOLDINGS, LLC)

(Million Yen)

Yen Basis	FY2018 2Q		FY2019 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	2,574	100.0%	2,784	100.0%	210	8.2%
Cost of sales	1,565	60.8%	1,730	62.1%	165	10.5%
Gross profit	1,008	39.2%	1,054	37.9%	45	4.5%
SG&A expenses	976	37.9%	1,072	38.5%	95	9.8%
Operating income	31	1.2%	-18	-	-50	-
Ordinary income	26	1.0%	-21	-	-47	-

Yen 110.64 / USD

Yen 111.55 / USD

0.8% lower

(Thousand US\$)

Local Currency Basis	FY2018 2Q		FY2019 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	23,267	100.0%	24,963	100.0%	1,695	7.3%
Cost of sales	14,148	60.8%	15,513	62.1%	1,364	9.6%
Gross profit	9,118	39.2%	9,449	37.9%	330	3.6%
SG&A expenses	8,830	37.9%	9,613	38.5%	783	8.9%
Operating income	288	1.2%	-164	-	-453	-
Ordinary income	235	1.0%	-193	-	-429	-

Sales increased mainly from increase in savory flavor and health product area.

Sales increased on both yen basis and local currency basis.

Operating income declined mainly due to increase of SG&A expenses.



# Chinese Subsidiaries (consolidated base) (Actual)

Consolidated profit and loss statement for China including T.H. Shanghai and T.H. Suzhou.

(Million Yen)

Yen Basis	FY2018 2Q		FY2019 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	3,453	100.0%	3,341	100.0%	-111	-3.2%
Cost of sales	2,266	65.6%	2,310	69.1%	44	1.9%
Gross profit	1,187	34.4%	1,031	30.9%	-155	-13.1%
SG&A expenses	733	21.3%	775	23.2%	41	5.7%
Operating income	453	13.1%	255	7.6%	-197	-43.7%
Ordinary income	481	13.9%	290	8.7%	-190	-39.5%

Yen 17.07 / RMB

Yen 16.33 / RMB

4.3% higher

(Thousand RMB)

Local Currency Basis	FY2018 2Q		FY2019 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	202,011	100.0%	204,611	100.0%	2,600	1.3%
Cost of sales	132,748	65.7%	141,459	69.1%	8,711	6.6%
Gross profit	69,263	34.3%	63,152	30.9%	-6,111	-8.8%
SG&A expenses	42,710	21.1%	47,512	23.2%	4,801	11.2%
Operating income	26,552	13.1%	15,640	7.6%	-10,912	-41.1%
Ordinary income	28,189	14.0%	17,818	8.7%	-10,371	-36.8%

Although sales increased on local currency basis due to increase in flavor division, declined on yen basis from impact of high appreciation of yen.

Operating income declined due to deterioration of sales cost ratio and SG&A expense increase.

\* From this Fiscal Year, the Company started to apply IFRS 15 "Revenue from Contracts with Customers" for overseas consolidated subsidiaries excluding U.S. subsidiary. For ease of comparison, the same standards applied to the calculation of the sales in the same period of the previous year

(Million Yen)

Yen Basis	FY2018 2Q		FY2019 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	443	100.0%	468	100.0%	24	5.6%
Cost of sales	291	65.8%	277	59.3%	-14	-4.8%
Gross profit	151	34.2%	190	40.7%	38	25.7%
SG&A expenses	141	31.8%	154	33.0%	13	9.7%
Operating income	10	2.3%	35	7.6%	25	245.7%
Ordinary income	18	4.2%	43	9.2%	24	131.5%

Yen 27.42 / MYR

Yen 27.01 / MYR

1.5% higher

(Thousand Malaysian Ringgit)

Local Currency Basis	FY2018 2Q		FY2019 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	16,164	100.0%	17,333	100.0%	1,168	7.2%
Cost of sales	10,642	65.8%	10,283	59.3%	-358	-3.4%
Gross profit	5,522	34.2%	7,049	40.7%	1,527	27.7%
SG&A expenses	5,145	31.8%	5,728	33.0%	582	11.3%
Operating income	376	2.3%	1,321	7.6%	945	251.0%
Ordinary income	681	4.2%	1,600	9.2%	919	135.0%

Sales increased from increase of seasoning powder and products for beverages.

Operating income increased from sales increase and increase of Gross profit associated with improvement of sales cost ratio.

# Three Year Plan (Consolidated)

Parent company	Expect sales expansion through Market survey/analysis, solution proposal anticipating potential “Wants” and reinforcement of sales activities for new customer development, etc.
USA	Expect sales expansion in savory flavors, beverages and health-related products through marketing strategy development and reinforcement of sales activities
China	Expect sales recovery through business recovery efforts, such as reinforcement of sales activities, organizational reinforcement for development of new sectors and potential needs
Malaysia	Expect sales recovery through business recovery efforts, such as strengthening of cooperation among offices in Southeast Asia region and sales deployment to surrounding areas

(Million Yen)

	Fy2018 (Actual)	Fy2019 (Plan)	Fy2020 (Plan)	Fy2021 (Plan)
Net sales	49,751	52,200	54,300	56,700
Cost of sales	30,619	31,830	32,810	33,950
Operating income	5,058	5,500	6,160	6,910
Ordinary income	5,512	5,900	6,570	7,320
Net income	4,100	4,300	4,650	5,230
Exchange rates	¥110.45 per U.S.\$ ¥16.91 per RMB	¥105.00 per U.S.\$ ¥16.00 per RMB	¥105.00 per U.S.\$ ¥16.00 per RMB	¥105.00 per U.S.\$ ¥16.00 per RMB
Sales growth ratio	3.6%	4.9%	4.0%	4.4%
Sales cost ratio	61.5%	61.0%	60.4%	59.9%
Operating income ratio	10.2%	10.5%	11.3%	12.2%
Ordinary income ratio	11.1%	11.3%	12.1%	12.9%
Net income ratio	8.2%	8.2%	8.6%	9.2%
Overseas sales ratio	34.5%	35.3%	36.7%	37.7%

Three-Year-Plan of T. Hasegawa group is revised every year  
Savory flavors : salty flavor for snacks, dressing for salad, and seasoning, etc  
Detailed information is described on page 43.

# Three-Year-Plan (Consolidated Income Statement)

(Million yen)

	FY2018 (Actual)			FY2019 (Plan)			FY2020 (Plan)			FY2021 (Plan)		
	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr
Net sales	49,751	100.0%	3.6%	52,200	100.0%	4.9%	54,300	100.0%	4.0%	56,700	100.0%	4.4%
Cost of sales	30,619	61.5%	4.7%	31,830	61.0%	4.0%	32,810	60.4%	3.1%	33,950	59.9%	3.5%
Gross profit	19,132	38.5%	2.0%	20,370	39.0%	6.5%	21,490	39.6%	5.5%	22,750	40.1%	5.9%
SG&A expenses	14,073	28.3%	7.0%	14,870	28.5%	5.7%	15,330	28.2%	3.1%	15,840	27.9%	3.3%
Operating income	5,058	10.2%	-9.8%	5,500	10.5%	8.7%	6,160	11.3%	12.0%	6,910	12.2%	12.2%
Ordinary income	5,512	11.1%	-9.6%	5,900	11.3%	7.0%	6,570	12.1%	11.4%	7,320	12.9%	11.4%
Profit before income taxes	5,521	11.1%	-10.0%	5,850	11.2%	6.0%	6,460	11.9%	10.4%	7,210	12.7%	11.6%
Net income	4,100	8.2%	-4.6%	4,300	8.2%	4.9%	4,650	8.6%	8.1%	5,230	9.2%	12.5%

- The new R&D facility construction project in China ( Approximately 1,000 million yen )
- The new Manufacturing facility construction project in Malaysia ( Approximately 2,000 million yen )
- R&D expenses is planned to be kept at around 9% of consolidated sales.

Million Yen

		Fy2018 (Actual)	Fy2019 (Plan)	Fy2020 (Plan)	Fy2021 (Plan)
Capital Investment	Consolidated	2,400	2,710	3,440	3,540
	Non-consolidated	1,693	1,675	1,500	1,500
Depreciation & Amortization	Consolidated	2,986	3,099	3,141	3,202
	Non-consolidated	2,008	2,102	2,111	2,152
R&D Expenses	Consolidated	4,507	4,688	4,856	5,031
	Non-consolidated	3,567	3,662	3,751	3,843

## **Caution with Respect to Forward-Looking Statements:**

This material is composed based on data as of . May 10<sup>th</sup> 2019 and the purpose to publish this material is to offer information of management plan and consolidated financial statement.

This material contains forward-looking statements about the future performance of T. Hasegawa, which are based on our management's assumptions and beliefs taking into account all information currently available to it. Therefore, please be advised that and uncertainties could cause actual results to differ materially from those discussed in our forward-looking statements, and in addition, forward looking statements could be changed without notice. Please also note that we will assume no responsibility for any omission or error in the statements and data in this material.

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